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ABSTRACT

To gather empirical evidence about the effects of multiple federal programs on school and school district operations, researchers interviewed teachers, principals, and categorical program coordinators at 24 elementary schools in eight districts across the nation. All the schools had four or more federal categorical programs and were known to be having difficulties administering them. The research revealed two major problems: interference between categorical programs and the local core program; and cross-subsidy, or the use of categorical funds intended for one group to provide services to another. Interference involved such problems as interruption or replacement of core instruction, clashes in teaching methods, administrative burdens, staff conflicts, and segregation of students. Cross-subsidy problems included providing funded services to unfunded programs, reducing funded services, and diverting personnel from one program to another. The evidence indicated that the problems resulted from both the multiplicity of federal programs and the choices of local administrators. The researchers recommend that the number of programs and the competition between funded and unfunded programs be reduced; that local administrators be assisted in coordinating programs; and that categorical programs be consolidated to increase effectiveness. (Author/RW)

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The Aggregate Effects of Federal Education Programs

Jackie Kimbrough and Paul T. Hill

EA 014 280

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Jackie Kimbrough and Paul T. Hill

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PREFACE

This report is based on research supported by the Office of the Deputy Under Secretary for Planning, Budget, and Evaluation, U.S. Department of Education. The report is addressed to federal policymakers who develop and regulate categorical programs and civil rights requirements, and to local administrators who implement them. In general, categorical programs and civil rights requirements are designed to meet the needs of students who may be at a disadvantage within the educational system. These students include the handicapped, the under-achieving poor, females, and children with limited English skills.

SUMMARY

Since the enactment of Title I of the Elementary and Secondary Education Act (ESEA) in 1965, the federal government has invested enormous effort in evaluating whether Title I and more recent programs, like ESEA Title VII and the Emergency School Aid Act (ESAA), were operating as intended. These evaluations treated the programs individually, assuming that they operated, and could be understood, separately. As the number of federal and state programs has grown, however, it has become apparent that they can affect each other's operations and in the aggregate, produce outcomes none of them intended.

Much of the evidence of the aggregate effects of programs has been anecdotal. For example, state and local school administrators have contended that in the aggregate, the programs compete with one another for scarce local program funds, impose administrative burdens on school and district staff, and cause scheduling problems with both the core local program and with categorical programs. Thus, many schools and districts have reported that they experience severe difficulties administering large numbers of programs with complex, seemingly contradictory requirements. Despite the anecdotal evidence, the aggregate effects of categorical programs have not been well documented.

STUDY OBJECTIVES AND PROCEDURES

Our goal, then, was to provide empirical evidence about the effect of multiple program implementation on school and district operations. Two concepts were central to this investigation: interference and cross-subsidy. Interference refers to the conflict between categorical programs and the core local program. Cross-subsidy is the use of categorical funds intended for one beneficiary group to provide services to another beneficiary group.

The study focused on the concepts of interference and cross-subsidy, and asked the following questions:

- Do the two concepts correspond to real events?
- If so, what do interference and cross-subsidy look like in practice?

- Under what circumstances are interference and cross-subsidy likely to occur?
- Is anyone hurt by interference and cross-subsidy?

We collected case study data from 24 elementary schools in 8 districts across the nation. The sample was small and not nationally representative. We selected districts and schools in which interference and cross-subsidy were likely to be most clearly evident. All of the sample districts and schools operated four or more categorical programs, and all had been nominated by state and district administrators as experiencing difficulties administering multiple categorical programs. Seven of the eight districts were in urban areas; four were large, and four were medium or small.

In each district, we conducted interviews with approximately 25 respondents, including categorical program coordinators and teachers, school principals, and core program teachers.

FINDINGS

The fieldwork produced strong evidence that both interference and cross-subsidy are real phenomena. We identified six types of interference and three types of cross-subsidy. At least one type of interference and one type of cross-subsidy were evident in all districts in the sample.

Interference

We found that federal programs interfered with the core programs in a variety of ways:

- They interrupted core classroom instruction. In some schools, children were pulled out of class for categorical programs so frequently that the teacher had the total class only 1-1/2 hours daily, and was unable to implement the state-mandated curriculum. Pullout problems were especially severe in districts where multiply eligible children were served by every program for which they were eligible. In

districts with migrant Hispanic populations, students were often involved in 6 or 7 pullouts daily. Their instructional day was so fragmented that they failed to receive the state-mandated curriculum; by grade 5, many had received no instruction in science or social studies.

- They replaced the core instruction. All students in a school are entitled to core reading and math instruction. In addition, eligible Title I students should receive supplemental reading and/or math. To reduce the scheduling problems caused by multiple pullouts, many districts allowed the categorical program to replace the core program. Thus, disadvantaged students entitled to both core program reading and supplementary categorical program reading, for example, typically received only the categorical program reading.
- They clashed with teaching methods used in the core local program. In several districts, core and categorical programs used incompatible reading methods and instructional materials. Not surprisingly, many children became confused, and regular classroom teachers had to abandon their lesson plans in order to help categorical program children adjust to the differences in teaching methods.
- They imposed administrative burdens on teachers and principals. In some districts, categorical and core program teachers spent so much time developing Individualized Educational Plans for students served by P.L. 94-142, or charting the progress of Title I or bilingual students, that they had to reduce time spent in actual instruction.
- They caused staff conflicts. At the school level, scheduling problems, administrative burdens, and other problems of multiple program implementation resulted in staff conflicts. These conflicts undermined efforts to integrate the core and categorical programs.
- They segregated students for large portions of the day. Many minority students are eligible for categorical programs and are grouped for instruction, even in desegregated schools. If

the students qualify for multiple programs, they may remain in segregated classes for much of the day. Hispanic, limited English speaking students typically spent half the school day in segregated classes.

Cross-Subsidy

We found that categorical programs cross-subsidized other programs in three different ways:

- They provided services purchased by one program to students who qualified for a different program. Some districts adjusted their Title I eligibility criteria to ensure that services for learning disabled children were purchased by Title I whenever possible. One method of accomplishing this was to use more restrictive definitions of "learning disability" in Title I schools than in non-Title I schools, so that fewer students were identified as handicapped in the Title I schools. Similar methods were used to channel services from fully funded programs into programs mounted in response to unfunded mandates.
- They changed the services offered by a funded program to fulfill the requirements of an unfunded or partially funded program. In several districts with limited special education funds, resources allocated for Title I and Title VII were diverted to provide special education services to learning disabled and handicapped children. This practice resulted in a reduction of services for Title I and Title VII eligible children.
- They diverted administrative and teaching staff from one program to fulfill the requirements of another program. In some districts, Title I and ESAA coordinators were assigned to administer unfunded mandates such as Section 504 and Title IX. In some districts, teaching staff paid by one federal program assumed teaching responsibilities in other programs. Specific examples included Title VII teachers supervising

ESAA and Title I aides who worked in bilingual programs; and Title I teachers working under the supervision of a special education coordinator to supplement the special education program.

CONCLUSIONS AND RECOMMENDATIONS

The evidence suggested that interference and cross-subsidy do not result from federal program structure alone, but are the joint result of program structure and local choices in managing large numbers of programs and unfunded requirements. Two aspects of the federal program structure--the multiplicity of programs in one site and unfunded requirements--contributed significantly to problems of interference and cross-subsidy. For example, some schools had so many federal programs that they could not avoid interference, and so little local money that cross-subsidy was the only way to pay for unfunded mandates. However, it is equally clear that the problems of interference and cross-subsidy can be minimized through local actions. Some districts invented ways of integrating the work of their regular and categorical program teachers, and of ensuring that students received the instruction they were entitled to, under both locally and federally funded programs.

Thus, problems of multiple program implementation can be minimized through the actions of both federal policymakers and local administrators. Federal policymakers must recognize that the sheer number of separate programs is the source of many problems. A significant task, then, is to help local districts devise programming strategies for multiple program schools, and to help local officials coordinate programs at the school level. Congress, in particular, needs to recognize the inherent competition for scarce resources between funded and unfunded mandates, and reduce its reliance on the latter.

Local administrators need to acknowledge the reality of special programs for the disadvantaged and accept responsibility for managing the programs and for integrating the categorical programs and staff with the core programs and staff.

Some form of lowering boundaries among categorical programs is desirable. It appears that the most effective form of consolidation

would increase local administrators' flexibility while ensuring adequate resources targeted to disadvantaged students.

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We acknowledge with gratitude the valuable contributions of a number of people. Lisa Leonard, Marta Samulon, and Sandra Turner set up field trips and assisted in data collection. The report has been strengthened considerably by the comments of the technical reviewers, Richard Elmore and Arthur Wise. Beatrice Birman, of the Office of Planning and Budget, Department of Education, also provided input which substantially improved the report. And we gratefully acknowledge the many district and school administrators and teachers who gave their time generously and their insights candidly.

CONTENTS

PREFACE iii

SUMMARY v

ACKNOWLEDGMENTS xi

Section
I. INTRODUCTION 1
Background 1
Study Objectives and Research Procedures 7
Study Limitations 11
Report Organization 12

II. INTERFERENCE 13
Types of Interference 13
Possible Causes of Interference 20

III. CROSS-SUBSIDY 25
Types of Cross-Subsidy 25
Possible Causes of Cross-Subsidy 33

IV. SUMMARY AND CONCLUSIONS 40
Implications for Local Administrators 41
Implications for Federal Officials 43
Directions for Future Research 44

BIBLIOGRAPHY 47

I. INTRODUCTION

BACKGROUND

Since Title I of the Elementary and Secondary Education Act (ESEA) was enacted in 1965, the federal government has invested enormous effort in assessing whether Title I and newer programs like ESEA Title VII (bilingual education), the Emergency School Assistance Act (ESAA), and Vocational Education were operating as intended. These assessments treated the programs individually, under the assumption that they operated and could be understood separately. As the number of federal programs has grown, however, it has become clear that they can affect one another's operations and that they might, in the aggregate, produce outcomes that are not intended.

The purpose of this study was to investigate the aggregate effects of the many federal and state requirements that school districts must implement. It assessed whether the combination of all those requirements produced unintended outcomes. The study was initiated in 1979, at a time when the continued existence of multiple categorical programs seemed certain. It was intended to identify problems that Congress might try to rectify in its scheduled 1982-83 review of federal education policy. The study focused on the negative, rather than the positive, results of interaction among federal education programs. This report therefore does not present a balanced evaluation of any one program, or question the need for categorical programs that provide benefits to disadvantaged children. It only identifies the problems caused by separate, federally funded and state funded education programs.

The potential significance of aggregate program effects is evident in the context of three recent trends that impinge on school district operations: an increase in the number of new programs and requirements; legislatures' increasing tendency to impose requirements without making appropriations for carrying them out; and decreased local purchasing power. These trends, which are discussed below, have decreased school districts' resources while increasing their administrative burdens.

Many New Requirements

Since 1975, the federal government has published four major new sets of requirements affecting school districts.[1] It has also fundamentally revised and expanded the requirements governing such older programs as the ESAA; Titles I, IV, and VII of ESEA; and Vocational Education. Most state governments have added their own requirements, and some have matched or exceeded the rate of increase in federal programs. In California, the state with the most programs of its own, school districts can be required to implement as many as 33 separate state categorical requirements.

The new requirements cover such diverse aspects of educational policy as education for the handicapped, teacher training, students' rights to privacy and due process, sex equity, and education for the gifted.[2] State and federal governments write and administer each new requirement separately from all previous requirements. School districts also tend to create separate administrative structures for the various programs. Requirements that have been kept apart at higher levels, however, all come together in the schools, the only organizations in the intergovernmental system that are too small to have a separate bureaucracy

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[1]The four new sets of requirements are: regulations prohibiting discrimination based on sex (Title IX of the Education Amendments of 1972); regulations prohibiting discrimination against the handicapped (Section 504 of the Rehabilitation Act of 1973); the Education for All Handicapped Children Act (EHA) (P.L. 94-142); and draft regulations concerning the education of Limited English Speaking children, implementing the principles established by the Supreme Court in the case of *Lau* v. *Nichols* (the *Lau* regulations). The Secretary of Education withdrew the draft Lau regulations in February 1981, but has promised to issue an amended draft later in 1981.

[2]Civil rights laws are not ordinarily regarded as federal programs, since they do not affect the federal budget. For the purposes of this analysis, however, they are indistinguishable from federal grants programs. They are ultimately implemented by the local education agencies (LEAs), and impose financial and administrative burdens that must be met from the same local resources. Civil rights laws thus add to the aggregate burden of federal programs, and their success is threatened by overloads on district capacity, just as is the success of grants programs like Title I and ESAA.

for each requirement. Principals and teachers must therefore cope with the combined effects of requirements that legislators and higher-level administrators can deal with separately.

Reliance on Underfunded Requirements

Many of the newest requirements are either unfunded or underfunded. That is, they must be partially or wholly financed from local revenues instead of from categorical state or federal funds. Five of the six new federal requirements established since 1975 are unfunded. The sixth, the Education for All Handicapped Children Act, establishes a comprehensive framework of requirements, but it provides federal funds to pay only about 12 percent of the cost of services delivered to handicapped children. Such requirements are meant to guarantee rights or confer benefits without increasing federal expenditures. The requirements exert leverage on local budgets by making further grants from other programs conditional on compliance with the unfunded and underfunded requirements. Consequently, school districts must either find funds to respond to the new requirements, or run the risk of losing important federal or state grants.

Decreased Local Purchasing Power

Many school districts have much less discretionary money now than they had five years ago. Declining enrollments have decreased the amount of state aid to many districts, especially the large inner-city ones; fiscal limitation movements have reduced districts' ability to raise their own revenues; collective bargaining agreements have cut deeply into districts' discretionary funds; and inflation has further reduced purchasing power.[3] Since many cities and counties are experiencing the same fiscal stresses, school districts cannot turn to general purpose government funds for help.

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[3]On declining enrollments, see Susan Abramowitz and Stuart Rosenfeld, *Declining Enrollment: The Challenge of the Coming Decade*, the National Institute of Education, March 1978. On the effects of fiscal limitation, see Anthony H. Pascal et al., *Fiscal Containment of Local and State Government*, The Rand Corporation, R-2494-FF/RC, September

The combination of multiple programs, unfunded requirements, and fiscal decline puts enormous strain on school districts. Many local officials claim that they are unable to maintain the quality of their basic instructional programs, and cannot find the money and staff to implement external requirements. Many face stressful tradeoffs both between the demands of the regular instructional program and external requirements,[4] and among different external requirements.

The existing combination of program requirements and financial strain also threatens to undermine the basic assumptions on which the federal role in education has traditionally been based. Since 1965, when ESEA Title I laid the foundation for federal involvement in education, federal programs have been based on two assumptions:

- o *No harm to the regular local program.* Federal programs take the quality of regular local instructional services as a given. Federal requirements focus on disadvantaged groups: the poor, the handicapped, and victims of discrimination.[5] They require and occasionally subsidize changes in district policies and services to such groups, but they

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1979. On the effects of collective bargaining, see C. A. Perry and W. A. Wildman, *The Impact of Negotiations on Public Education*, Jones Publishing Co., Worthington, Ohio, 1970, and Lorraine McDonnell and Anthony H. Pascal, *Organized Teachers in American Schools*, The Rand Corporation, R-2407-NIE, February 1979. On school districts' current expenditures, see the National Center for Education Statistics, *The Condition of Education*, U.S. Department of Education, Washington, D.C., 1980.

[4]For a more complex discussion of the financial and administrative burdens on school districts, see Paul T. Hill, *Do Federal Education Programs Interfere with One Another?* The Rand Corporation, P-6416, September 1979.

[5]The only exception to this generalization is the Impact Aid Program, which is intended to compensate school districts for the presence of non-taxpaying federal installations. That program is regarded as an anomaly, and its appropriations are attacked every year, precisely because it provides general, rather than special purpose, aid to the beneficiary districts.

do not govern or subsidize the regular local program.[6] Federal requirements are not intended to reduce the quantity or quality of services received by nondisadvantaged students.[7]

- *The independence of federal program benefits.* Every federal education program is meant to provide additional services or protections, or both, to its beneficiary groups. No federal program is meant to reduce the quality of services or benefits enjoyed by any group. From 1965 until the early 1970s, the federal government provided grant funds to pay for the implementation of virtually all of its requirements. Though many of the newer requirements are underfunded or unfunded, they are based on the assumption that the necessary funds can come from local revenues. With declining local revenues, however, districts may be unable to provide the required services to all special groups. If so, the level of benefits provided to one group may not be independent of benefits provided to another group.

Congress established these assumptions for federal education programs when it enacted ESEA Title I in 1965. Title I grants were to be used to produce real increases in spending, and not for tax relief. Further, those increases in spending were to be only for additional

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[6]The terms "regular local program" and "core local program" refer to the combination of instructional, support, and extracurricular activities that school districts traditionally provide. Though the content of the "regular local program" varies from place to place, it is usually well understood by district officials. The best operational definition is a negative one: the set of services provided to students who are not beneficiaries of any federal or state categorical program.

[7]These assumptions are most clearly evident in the legal framework for ESEA Title I, the first and largest federal categorical program. For a discussion of the assumptions behind the Title I legal framework, see the National Institute of Education, *Administration of Compensatory Education*, U.S. Department of Health, Education, and Welfare, 1977, pp. 7-27. The more recent unfunded requirements are less straightforward. They (i.e., Title IX, Section 504, P.L. 94-142, and the *Lau* requirements) are presented as civil rights requirements that establish unconditional entitlements to services.

services to low-achieving children in poverty schools. This represented a real constraint on district spending. School districts had to demonstrate that Title I funds were used to pay for services that were *special*, i.e., different from or in addition to the services purchased with regular local revenues.[8] To establish the "specialness" of a service, a school district had to show that it was provided only to Title I-eligible children, and was delivered at times or places, or by personnel, different from regular classroom services.

Official federal policy established several ways by which school districts could demonstrate the "specialness" of their Title I services.[9] One such method, "pullout," is the most unambiguous and therefore the safest for school districts to use if they want to avoid federal charges of noncompliance. Title I students leave their regular classrooms for brief periods (20 to 50 minutes) to receive instruction from Title I-paid teachers. Title I funds are therefore demonstrably used to pay for "special" services.[10]

Title I has the most elaborate "supplement, not supplant" rules, but most other federal programs (and many state programs) impose similar requirements. "Pullout" has therefore become the dominant mode of service delivery in categorical programs modeled on Title I. As the rest of the report will demonstrate, the nonsupplanting requirement, and the pullout method of delivering instructional services, have made it difficult for multiple programs to coexist within a school.

Multiple federal programs--and the increased pressure on school districts' budgets--make the two assumptions listed above less and less

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[8]The current statutory language is contained in P.L. 95-561, Sec. 126(c).

[9]For an extensive discussion of the difficulty of operationalizing the concept of nonsupplanting, see S. M. Barro, *Equalization and Equity in General Revenue Sharing: An Analysis of Alternative Distribution Formulas*, The Rand Corporation, N-1591-NSF, October 1980.

[10]For a discussion of the prevalence of pullouts and the types of services students miss when they are absent from their regular classes, see National Institute of Education, *Compensatory Education Services*, U.S. Department of Health, Education, and Welfare, 1977.

tenable. If federal programs draw resources away from a district's regular program, or impose administrative burdens that exceed local management capacity, they may violate the assumed "no harm to the local program." Unfunded requirements that force districts to divert funds from one federally mandated purpose to another may invalidate the "independence of benefits" assumption.

The federal government may simply be unable to guarantee benefits to so many groups, or to rely so heavily on unfunded requirements. Marginal changes in the numbers of requirements or amounts of federal subsidy may restore the validity of the two basic assumptions. If, however, such marginal changes are politically or financially impossible, the federal government may have to make more dramatic changes, probably by consolidating diverse programs or abandoning its efforts to control the ways in which school districts use grant funds.

STUDY OBJECTIVES AND RESEARCH PROCEDURES

At present, the aggregate effects of federal programs are not well documented.[11] Much of the available information is in the form of anecdotes and unverified assertions made by state and local administrators who claim that different programs impose contradictory requirements on LEAs, impose administrative burdens that overtax local administrators, and compete with one another for scarce local program funds. In general, many districts report that they experience severe difficulties in administering large numbers of programs with complex requirements.

Our goal, then, was to provide empirical evidence about the effect of multiple program implementation on school and district operations.

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[11] The most clearly related studies have focused on questions of gaps and overlaps in services to needy children. See, for example, Beatrice Birman, *Case Studies of Overlap Between Title I and P.L. 94-142 Services for Handicapped Students*, SRI International, August 1979; and Comptroller General of the United States, *An Analysis of Concerns in Federal Education Programs: Duplication of Services and Administrative Costs*, General Accounting Office, HRD-80-181, April 30, 1980. Useful background about the numbers and kinds of school districts operating federal education programs is presented by Jeanette Coor, Mary Moore, and Elizabeth Demarest, *School Districts Participating in Multiple Federal Programs*, The National Center for Education Statistics, FRSS Report No. 7, Winter 1978-79.

Two concepts were central to this investigation: interference and cross-subsidy:

- o Interference refers to the conflict between categorical programs and the regular local program. Interference violates the assumption of "no harm to the local program."
- o Cross-subsidy refers to the use of categorical funds intended for one group to provide service to another group. Cross-subsidy violates the assumption of "independence of benefits."

The study focused on the concepts of cross-subsidy and interference and asked the following questions:

1. Do the two concepts correspond to actual events? That is, do categorical programs conflict with regular local programs, and do school districts divert federal program resources from one purpose to another?
2. What do interference and cross-subsidy look like in practice? That is, how do federal programs affect the quality of the regular instructional program, what federal programs are involved, and what specific changes in regular instructional services and categorical program services result? What federal programs benefit from cross-subsidies, and from what other programs are resources taken?
3. Under what circumstances are interference and cross-subsidy likely to occur? Are the two phenomena inevitable results of the federal program structure, or do they happen only under certain conditions?
4. Is anyone hurt by interference and cross-subsidy? Do any students lose regular program services that are not fully replaced by federal program services? Are any students denied services, or provided less intensive or lower-quality services because of cross-subsidies? Are particular groups of students especially likely to lose services because of interference and cross-subsidy?

We addressed these questions by collecting case study data from 24 sites: three elementary schools in each of eight districts across the nation. Within each district, we conducted approximately 25 to 30 interviews with district and school-level staff. District-level respondents included the coordinators of major categorical programs (e.g., Title I coordinator) as well as the overall categorical program coordinator. School-level respondents included the principal, a teacher or coordinator for each major categorical program, and 2 or 3 core program teachers whose students were served by the categorical programs.

Sample Selection

The primary study objectives were to determine whether interference and cross-subsidy were real phenomena and, if so, to describe how they operated in districts and schools. The study sample, then, was limited to districts and schools in which cross-subsidy and interference were most likely to occur. We assumed that cross-subsidy and interference were most probable in schools and districts that operated multiple state and federal categorical programs. We therefore deliberately sought districts (and schools) with large populations of disadvantaged students and numerous categorical programs.

Using these guidelines, we initially selected a sample of 15 states. We then contacted the state coordinators of categorical programs and, during unstructured telephone interviews, asked them to nominate two large and two medium or small districts with the following characteristics: (a) each district operated four or more categorical programs; (b) each district had had difficulties implementing multiple categorical programs.

After contacting the nominated districts and confirming the information provided by the state education agencies (SEAs), we selected a sample of eight districts. Seven of the eight districts were located in urban areas; the eighth was in a rural area. Four of the districts were classified by their SEAs as large, and four as medium or small. We conducted telephone interviews with the federal program coordinators of the eight districts selected for site visits. During these interviews, the federal program coordinators nominated three elementary schools that operated multiple categorical programs, and that had had difficulties

implementing those programs.

The study sample, then, consisted of 24 elementary schools in eight districts. All schools were implementing at least two of the following federal categorical programs: ESEA Title I, ESEA Title I Migrant, ESEA Title VII (bilingual education); EHA; and ESAA Basic, Pilot or Bilingual. Most schools were also implementing at least one state categorical program, typically either a compensatory or bilingual program.

Data Collection

Data collection activities were conducted in the spring of 1980. School-level and district-level appointments were scheduled by the district federal program coordinator. Two-person interview teams spent approximately three days in each of the eight districts.

The unstructured site interviews with district and school-level staff were based on topic guides, which contained the basic topics for discussion but were flexible enough to accommodate differences in the type of programs being implemented by districts and schools. A separate topic guide was developed for each of the five respondent types: the Overall Federal Program Coordinator; the Federal Program Coordinator--Specific Programs; the Principal; the Teacher--Categorical Programs; and the Teacher--Core Program.

The interview teams discussed the following topics with the respondents:

- Percent of students enrolled in categorical programs
- Names and funding levels of categorical programs
- Criteria for referring children to specific programs
- Services/mode of operation for categorical programs
- Staff time spent in administrative duties
- Integration of categorical/core-program staff and curriculum
- Adequacy of budgets to provide categorical services and meet federal requirements
- Strategies used to pay for unfunded/underfunded requirements

District-level respondents included the overall federal program coordinator and the coordinators of specific federal programs, such as ESEA Title I and Title VII; ESAA; P.L. 94-142, Indian Education Act; etc. At the district level, we interviewed from six to ten respondents. All the district-level interviews were conducted by the two-person team, and lasted about 45 minutes each.

School-level respondents included the principal, two teachers or coordinators of each categorical program, and two or three core program teachers whose students were served by the categorical programs. To obtain a common base of information about a given school, the principal's interview was conducted first, by the team of interviewers. Subsequent school-level interviews were conducted individually, with teachers/coordinators of specific programs divided between the two interviewers. Approximately 12 people were interviewed at each school, with each interview lasting about 30 minutes.

STUDY LIMITATIONS

The study objectives required an intensive examination of federal programs in a few school districts. Since our primary interest was in determining whether cross-subsidy and interference actually happened in practice, our sample was deliberately biased in favor of multiple program districts in which the phenomena were most likely to occur. Our sample was therefore both too small and too narrowly drawn to represent the nation as a whole. Other sources[12] indicate that the phenomena we report here may be very widespread, but our data alone can show only whether, not how often, cross-subsidy and interference occur.[13] Because our results do not represent any particular population of school districts, it would be misleading to report the results

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[12] Goor, Moore, and Demarest report that 85 percent of the districts in their nationally representative sample acknowledged having problems that we would classify as "interference."

[13] A second wave of fieldwork is making quantitative assessments of the national incidence of cross-subsidy and interference, and of their effects on the instructional services that children receive. A report on that study is scheduled to appear in December 1981.

as exact frequencies or rates. In presenting the findings, we therefore only note whether particular events were observed in all, some, or only one of our sample school districts.

REPORT ORGANIZATION

Section II below presents our findings regarding interference, Section III discusses cross-subsidy, and Section IV presents the summary and policy implications of the study.

II. INTERFERENCE

Interference refers to *the conflict between categorical programs and the core local program.* Specifically, a categorical program interferes with the core local program when it hinders the implementation of the core program by the staff, or reduces instructional services for the students, or both. As discussed in Sec. I, categorical programs are based on the assumption that the core local program is adequate to meet the basic educational needs of most students. Categorical programs, then, are expected to supplement the core local program by giving disadvantaged students an "extra dose" of instruction, without which they would be underserved. To the extent that the categorical programs hinder the delivery of core program services, or reduce students' access to those services, they violate the assumption of "no harm to the core local program."

The fieldwork produced strong evidence that interference is a real phenomenon. District administrators generally acknowledged the problems of multiple program implementation, and interviews with school administrators and school staff further confirmed them. The following parts of this section present the evidence for interference. In the first part, we describe the types of interference we found, give examples, and discuss the effects of interference on students. In the second part, we identify some of the possible causes of interference.

TYPES OF INTERFERENCE

During our fieldwork, respondents described several types of interference involving a variety of different categorical programs in all districts we visited. We found that interference occurs when:

- The frequency of categorical program pullout conflicts with the delivery of the core local program.
- Categorical program services completely replace regular local services.
- The content of the categorical program clashes with the content of the core local program.

- o District-level and school-level staff spend considerable amounts of time responding to administrative requirements of categorical programs.
- o Scheduling problems, administrative burdens, or conflicts between core and categorical programs cause low staff morale or hostility.
- o Students are placed in segregated instructional groups for large portions of the day.

These six types of interference are discussed in detail below.

Frequent Categorical Program Pullouts

Pullouts involve removing students from the regular instructional group in order to provide them with special categorical program instruction. Because they separate categorical program students from the other students, the pullouts tend to simplify fiscal and programmatic recordkeeping. Consequently, although pullouts are not required by regulations, they are a favored mode of implementation among district and school officials. The majority of schools in our sample used them; on the average, categorical program students were pulled out of regular instruction for 20 to 30 minutes daily for each program they participated in.

The problem with pullouts emerges when their frequency conflicts with the implementation of the core program. In our sample this type of interference occurred in two different ways:

First, core program teachers in more than half of the districts reported that multiple pullouts made it impossible for them to implement the state- or district-mandated curriculum. In several schools we visited, so many students were pulled out of the core program that regular classroom teachers had the total class for only 1-1/2 hours daily. The result was that the core program teachers were unable to implement the mandated curriculum in a coherent fashion. Under these circumstances, teachers had two options for implementing the basic curriculum: They could present the total curriculum, but allot only 20 minutes of instructional time daily to each course, instead of

40; or they could teach each course for 40 minutes, but present it only once or twice a week. With either alternative, the mandated curriculum was presented for a shorter period than was required.

Pullouts also create interference when students who receive categorical services are removed from the core program so often that they fail to receive the district- or state-mandated curriculum. This type of interference occurred in districts where multiply-eligible students were served by all programs for which they were eligible, and affected migrant Hispanic students in particular. In one district, for example, migrant Hispanic students received the services of the Title I Migrant program, the Title I reading and math program, the ESEA Title VII program, and the ESAA bilingual program. These students experienced at least 4 or 5 categorical pullouts daily; their instructional day was so fragmented that they were out of class while the core program teacher presented the state-mandated curriculum. As late as grade 5, most of the migrant Hispanic students had never had a class in science or social studies.

Other students were similarly affected, but not as severely. For example, low-achieving, low-income students were pulled out of the regular core program 2 or 3 times a day to receive Title I compensatory reading and math instruction, as well as to attend classes offered through EHA for students with learning disabilities. Thus, these students were involved in 2 or 3 pullouts daily. There may be some validity to the notion that students need massive and multiple "doses" of supplementary instruction in their areas of deficiency, but excessive pullouts are bound to disrupt the student's regular education.

Supplanting by Categorical Programs

All students are entitled to regular program services, whether or not their schools receive resources from categorical programs. In Title I schools, for example, all students should receive regular reading instruction. A low-income, educationally disadvantaged student should also receive supplemental compensatory services through Title I.

A method used by many districts to reduce scheduling problems caused by frequent pullouts was to allow the categorical programs to

supplant the core program. That is, rather than provide the disadvantaged student with both core and categorical program services, many districts replaced the core program with the categorical program.

At times, this "supplanting" only affected students eligible for particular programs. In some schools, for example, students who were receiving Title VII (bilingual) services when the core program in reading was presented were simply enrolled in the Title I reading class. Similarly, we found that Title I math frequently replaced the core math program, and ESEA Title VII frequently replaced the district bilingual program. In the 2 or 3 schools that did not use pullouts, both categorical and core program children remained in the classroom, and core and categorical reading and math were taught simultaneously. However, the core reading and math were often taught by the classroom teacher, while the categorical reading and math were typically taught by an aide. In those situations, categorical program students received none of the "core" reading or mathematics services; and students with the greatest educational needs were taught by the least qualified staff.

In some schools and districts where the majority of students were eligible for categorical programs, the core reading, math, and bilingual programs were eliminated. The only reading, math, or bilingual education instruction offered was in the categorical program classes. There were no district-paid regular reading or mathematics teachers present in the schools, and all students were assigned to one or another categorical program. Moreover, so much attention was devoted to the categorical programs that most other content areas (geography, science, health, etc.) were not taught. Although most districts that practiced supplantation were not so extreme, many students nevertheless failed to receive the *supplemental* instruction to which they were entitled.

Categorical-Core Program Content Clash.

Several districts interpreted the "supplementary" requirement of categorical programs as meaning that the categorical program had to be *different in content* from the core program, rather than *in addition to* the core program. In several districts, the core and categorical programs used incompatible materials and methods in teaching the same

subjects. For example, several districts used programmed new math texts in their core math program, but used the basic math texts in their Title I math program. Other districts used highly structured DISTAR reading programs in Title I, and fundamentally different methods in their regular reading instruction. Teachers reported that students who participated in both the core and supplemental program often became confused and unable to learn with either approach.

In another district, a Title I instructional resource teacher reported having considerable difficulty coordinating the content of the Title I reading program with the content of the core reading program. This teacher taught students from 27 different regular program reading groups, and therefore faced the problem of developing supplementary instruction keyed to 27 different core program lessons. During each class period, she taught 12 to 15 students, each of whom had different lessons. It was virtually impossible to cover the various lessons in the 20-minute period allotted to the Title I reading class.

Additional Administrative Tasks

Interference also occurred when district and school level staff had to spend extra time responding to explicit and implicit requirements of categorical program implementation. Explicit requirements refer to those specified in the regulations, and include recordkeeping for programmatic and fiscal audits. Implicit requirements are those deemed necessary by district or school staff for effective program implementation; they include such tasks as developing guidelines for integrating core and categorical programs; attending coordination meetings; and devising master schedules to ensure that all students receive the core curriculum as well as the supplementary programs for which they are eligible.

In many schools we visited, principals believed they spent an inordinate amount of time meeting with parent advisory groups, and refereeing conflicts between the school-wide PTA, and the categorical programs' parent advisory groups.[1] At least half the principals found

[1]For more information on this topic, see P. T. Hill, J. M. Wuchitech, and R. C. Williams, *The Effects of Federal Education Programs on School Principals*, The Rand Corporation, N-1467-HEW, February 1980.

their jobs considerably more complex because of the problems in scheduling categorical and core staff; because of hostilities between categorical and core staff; because of the ambiguities in the categorical program regulations; and because of the frequently competing demands of district priorities, federal requirements, and local school needs.

Teachers' estimates of time spent on categorical program administrative work varied across districts, from 30 to 45 minutes daily. Teachers spent considerable amounts of time developing Individualized Educational Programs (IEPs) for students as required by P.L. 94-142 (Education for All Handicapped Children). They also spent considerable time charting the progress of bilingual and ESL students. Although many categorical program teachers received the help of their aides in completing the administrative tasks, many others simply reduced the time spent in instruction in order to fulfill the administrative requirements.

Staff Conflicts

At the school level, staff reported that scheduling problems, administrative burdens, and conflicts between the core and categorical programs often resulted in low staff morale or hostility and adversely affected the quality of education. In some districts, staff conflicts surfaced when special education students were mainstreamed into the regular classrooms. Core program teachers complained they were not trained to teach learning-disabled students, and resented the increase in class size.

In other districts, core program teachers believed there was an inequitable distribution of nonteaching duties between the core and categorical program teachers. For example, Title I teachers were restricted (by Title I regulations) in the amount of time they could participate in non-Title I duties (e.g., cafeteria or playground supervision, hallway monitoring, etc.), and core program teachers had to assume all of the nonteaching responsibilities. Although recent changes in regulations allow Title I staff to spend up to 10 percent of their time in non-Title I duties, many core program teachers still contended that categorical program teachers did not bear their share of responsibility within the schools. The tensions that developed between the

two groups of teachers affected overall staff morale.

In several other districts, core program teachers complained about the time spent in inservice training by Title I and Special Education teachers. Typically, inservice training was conducted at the beginning of the school year. Since categorical program teachers were absent from the school for large portions of the day, core program teachers had to try to compensate categorical program students for their loss of special remedial instruction. In addition to their complaints about extra teaching responsibilities, many core program teachers believed it was unfair that the district could not provide them with specialized inservice training or out-of-school conferences.

In all of these situations, jealousies and tensions between the core and categorical program teachers reportedly reduced the cooperation necessary to make categorical programs truly supplement regular instruction. As a result, the overall quality of education for disadvantaged children suffered.

Segregated Instructional Grouping

As noted earlier, most districts implement categorical programs by providing categorical program services in a separate pullout class. Since the use of standardized tests typically results in strong correlations between ethnicity and achievement, low-achieving minority students in desegregated schools are often segregated in categorical program classes. Moreover, since many categorical program students qualify for multiple services, they remain in the segregated classes for much of the day. This interferes with districts' efforts to implement desegregated core instructional programs.

In specific instances during fieldwork, school staff reported that black or black/Hispanic students were segregated for Title I reading and math, Special Education, and for ESAA remedial reading and math. In schools with sizeable enrollments of Hispanic children, the segregation was especially pronounced. Hispanic children were less likely to be returned to their core classroom than black or white children, and were more likely to spend more of the school day in bilingual classes. As we indicated earlier, most pullouts (for Title I reading and math,

ESAA compensatory, special education, and ESL) averaged about 20 to 30 minutes, but bilingual pullouts typically lasted 2 to 2-1/2 hours. Thus, on the average, Hispanic children tended to spend two hours daily in separate language groups, in addition to the other pullout programs. Ironically, the segregation tended to be most severe in schools with ESAA compensatory or bilingual programs designed to reduce the harms of segregation and racial isolation. Classroom segregation was more pronounced in these schools simply because the existence of these programs added 1 or 2 additional segregated class periods per day.

POSSIBLE CAUSES OF INTERFERENCE

During our fieldwork, we identified three sets of factors that might cause interference:

- The number of different categorical programs implemented in a single school and/or the proportion of categorical students in relationship to core program students in a school;
- District and school decisions about how to implement categorical programs;
- District administrator and school staff attitudes toward categorical programs and disadvantaged students.

These three sets of factors are discussed below:

Number of Categorical Programs/Students

The absolute numbers of categorical programs and eligible students within a single school appear to be the most basic factor contributing to interference. Unfortunately, the study design did not systematically vary the numbers of programs and students in schools, as would be necessary to draw firm conclusions about the relationship between program size and interference. Most schools implemented 2 or 3 different major federal categorical programs, as well as 1 or 2 minor categorical programs. Generally speaking, however, the larger the number of programs a school implemented, and the larger the number of students to

be served by the categorical programs, the more complaints about interference we heard from school officials.[2]

At least four of the six problems of interference discussed earlier in this section are exacerbated by the numbers of programs and students. Specifically, increased numbers of students and programs contribute to the problems of pullouts conflicting with the core program; categorical programs replacing core programs; administrative time-requirements of categorical programs; and staff hostilities. Large numbers of programs and students contribute to interference simply because they strain the school's management and implementation capacity. Within a finite period of instructional time each day, school administrators have to try to schedule the state- and district-mandated classes as well as the categorical program classes, so that students receive all the services to which they are entitled. As the numbers of categorical programs and students increase, the task becomes unmanageable, and categorical programs conflict with or supplant the core program.

Similarly, as the numbers of programs and students increase, staff have to spend more time responding to administrative requirements of each of the programs and, where necessary, maintaining individualized records for each of the categorical program students. Finally, as the numbers of programs and students increase, scheduling problems and administrative responsibilities increase, and tensions between the core program staff and the categorical program staff often result.

District and School Implementation Choices

Interference is affected by district/school management decisions on three issues related to categorical program implementation. First, interference is more likely to occur *when schools choose pullouts as the mode of categorical program implementation.* An alternative but less popular mode of delivering categorical program services is to send

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[2]The Department of Education published detailed regulations on providing Title I services to students who are also eligible under other programs in January 1981. However, those regulations were withdrawn for review by the Reagan administration, and their status is now unclear. (See *Federal Register,* January 19, 1981, pp. 5136-5235, especially Secs. 201.133 to 201.143.)

in the categorical program teachers to the regular classroom. Although not required by regulations, district and school administrators favor pullouts because they make it easier to monitor fiscal and programmatic matters. Since most elementary schools provide 4 to 5 hours of daily instruction, frequent pullouts (2 to 3 hours daily are not uncommon) shorten the time available for students to receive the core curriculum, thus interfering with the delivery of the core program.

Interference is also likely to occur *when students are assigned to all programs for which they are eligible,* rather than to the single program that best meets their needs. We observed considerable variation among states, and between different districts in the same states, in their interpretations of whether multiply-eligible children should receive multiple program services. In most districts and schools, the only consistent interpretation was that Special Education students could not receive Title I services. For other programs, however, most districts tended to provide multiply-eligible students with all the program services to which they were entitled. Some districts assumed that if a student qualified for Title I reading, the student also needed Title I math, and automatically placed the student in the compensatory math class. Similarly, migrant students often received Title I reading and math as well as Title I migrant compensatory services. And numerous Hispanic students participated in both ESAA bilingual and Title I bilingual classes. In general, the level of interference rose with increases in the number of different categorical programs a student participated in. This increase in interference occurred primarily because students were pulled out more often and scheduling arrangements were made more difficult with large numbers of students receiving the services of several categorical programs.

Several district and school administrators were aware of the problems of providing multiply-eligible students with all the services to which they were entitled. These school administrators minimized their problems by assigning disadvantaged students to the smallest number of different programs possible that would meet their needs. That is, rather than place students in both ESAA compensatory and Title I compensatory classes, students were placed only in the single

program that school staff believed met their needs.

It is difficult to argue that a student should receive fewer educational interventions than he or she qualifies for or than are available. In the interest of avoiding interference, however, schools should be able to limit the number of separate categorical program services that any student receives.

Finally, interference is likely to occur *when school and district staff fail to coordinate core and categorical program schedules and content.* In many of the districts with the worst problems of interference, school staff did not take seriously the task of coordinating core and categorical program schedules. As a result, conflicts in class schedules and in program content were considerably more frequent than in schools that took the task of coordination seriously. In the district with the fewest scheduling conflicts, concerted efforts were made--at the district level, school level, and classroom teacher level--to coordinate the various programs. The district administrators (with school-level input) developed a set of objectives for all programs--core and categorical. At the school level, categorical and core program teachers met regularly to discuss ways of meeting the district objectives, to clarify scheduling problems, and to maintain continuity of course-work for students enrolled in both core and categorical programs.

District and School Attitudes Toward Categorical Programs

Finally, many of the problems of interference seem to stem from a unique relationship between the categorical program and the core local program. In some districts, school officials do not accept the legitimacy of a federal role in education, and treat categorical programs with distaste. Federal programs are treated as "foreign bodies," to be kept as separate as possible from the core program. Rather than design core and categorical programs to complement one another, officials in such districts keep the planning and the administration of the programs separate, resulting in problems of incompatibility of core and categorical programs.

One district, whose board members and administrative staff resented federal "intrusion" in local education, responded to the problem of

pullouts in a unique way. Teachers were instructed to provide students with at least the minimum state-mandated instructional courses and time. For the remaining time, the first priority for pullouts was for such programs as art, music, and dance. In whatever time was left, students were allowed to attend the categorical program classes for which they were eligible. Obviously, disadvantaged students received few of the categorical program services to which they were entitled. In other schools, teachers who resented the interruption in the core class caused by the departure of the pullout students often either "forgot" or refused to send the student to the categorical class.

Local resistance may result in part from the fact that the programs are targeted to minorities, many of whom are newcomers to the district and most of whom are not part of the mainstream community that educators perceive themselves as serving. Thus, although the categorical programs have considerable money, they are often unable to exert the type of leverage required for principals and other administrators to consolidate or integrate the federal categoricals with the core local program. Among the many results of this resistance to categorical programs, then, are the problems of interference that we have observed: lack of coordination between core programs and categorical programs, incompatible instructional materials and methods between the supplementary programs and the core programs, and tension between supplementary program teachers and core program teachers.

III. CROSS-SUBSIDY

Cross-subsidy is *the use of categorical funds intended for one beneficiary group to provide services to another beneficiary group.* It is distinct from interference, the conflict between categorical programs and the regular local program.

We began this study with no empirical evidence that cross-subsidy existed, but the fieldwork produced strong evidence that it is prevalent. This section presents that evidence, in two parts. In the first part, we identify the types of cross-subsidy that we found, give examples of each type, and discuss the effects of cross-subsidy. In the second part, we discuss the circumstances under which cross-subsidy is most likely to occur.

TYPES OF CROSS-SUBSIDY

Cross-subsidies from funded categorical programs to unfunded or underfunded programs and requirements[1] were evident in all the districts we visited. Our research concentrated on documenting the clearest and most significant forms of cross-subsidy, which were evident in the design and delivery of federal program services. Each district had its own special patterns of cross-subsidy: The programs involved in cross-subsidy and the ways in which resources were transferred varied from place to place, depending on local needs and conditions.

The diverse instances of cross-subsidy can be readily summarized under three types. In general, school districts use the resources provided by funded programs to pay for unfunded requirements by:

- Assigning students who are guaranteed services under an unfunded requirement to be served under a funded program.
- Changing the nature of instructional services delivered

[1] Consistent with the usage in Sec. I, the term "unfunded requirement" refers to any requirement that does not convey grant funds to pay for all the services it mandates. Thus, programs that provide funds to cover only a fraction of their costs (e.g., the Education for All Handicapped Children program) will be called unfunded mandates.

under a funded program to respond to an unfunded requirement.

- Diverting staff from activities authorized under a funded program into different activities required by an unfunded mandate.

The following discussion of each of the three types will clarify the differences among them.

Assigning Students Guaranteed Services Under One Program to Service Under Another

Districts can serve children who are beneficiaries of unfunded requirements by assigning them to be served under a funded program. This is the most common type of cross-subsidy. In such an arrangement, the funded program subsidizes the unfunded one, and the district need not use any of its own general purpose funds. The children who are the intended beneficiaries of the funded program may lose some services. The loss may be quantitative (e.g., if the funded program's teachers must spread their attention among a larger number of students), or qualitative (e.g., if students who would normally be served by the funded program are displaced by the beneficiaries of the unfunded requirement). There may be circumstances in which no one is hurt by such a cross-subsidy, for example, if the funded program has excess capacity or if all the beneficiaries of the unfunded requirement are also eligible for services under the funded program.

Examples drawn from our case studies will make these observations more concrete.

Serving Handicapped Children Under Title I. Districts with limited special education budgets often serve mildly handicapped children (those labeled as learning disabled) under a funded compensatory education program. Unless the parents of learning disabled children complain about the arrangement, the district is unlikely to be found out of compliance with the Education for All Handicapped Children Act.

The most vivid evidence of such an arrangement came from interviews with special education teachers in one school district. That district used different definitions of learning disability in different schools,

depending on the availability of Title I services. Under the official district-wide procedures, any child with an IQ under 90 was to receive an individualized education plan and would presumably be diagnosed and served as handicapped (educable mentally retarded). Those procedures were followed faithfully in the higher-income schools where Title I services are not available. In Title I schools, however, a different definition of handicap was used: Children were not identified as handicapped unless their IQs were under 75. Children whose IQs were between 75 and 90 were simply labeled "low-achieving" and were served under Title I. They were not referred for individualized education plans, and any of their needs other than remedial reading or math instruction were met by the Title I teacher or the regular classroom teacher.

This arrangement affected the Title I program in several ways: Some children with only modest learning problems were eliminated from Title I altogether. The lower-IQ children were all eligible for Title I services. But the fact that Title I had to provide for all of their special needs meant that nonhandicapped Title I eligible children received services that were designed primarily to meet the needs of learning disabled children.

Another district in our sample controlled costs by discouraging referrals to special education across the board. The district, which faced severe problems with declining enrollments and an eroding tax base, had had no increase in its special education budget since 1975. The district's special education staff reportedly discouraged teachers and principals from referring children to special education. Few children, other than those with obvious physical or psychomotor handicaps, were given individualized educational plans. The special education staff counselled teachers and principals about how to help learning disabled or behavior disordered children in the regular classroom setting. Teachers in other categorical programs (e.g., Title I, ESAA, and ESEA Title VII) also helped the regular classroom teachers serve mildly handicapped children.

In many ways, that district had made a virtue out of necessity. The special education staff provided real assistance to principals and teachers, and handicapped students were genuinely "mainstreamed."

However, the regular classroom teachers were often heavily burdened by the special needs of handicapped students, and nonhandicapped students got correspondingly less attention. Handicapped students also lost the special diagnostic and supplementary services that the IEP process would have given them.

Assigning Language Minority Children to Special Education or Title I Services. Special education is not the only recipient of this kind of cross-subsidy. One school we visited had a small number of Limited English Speaking (LES) children, but no funds for bilingual education. Those children were all assigned to the special education pullout program, because the special education teacher was the only person in the school who had the time to give LES students the individual attention they needed. In another school, all LES children were automatically served by Title I. Non-LES children were admitted to Title I only after all the LES children were served. As a result, some non-LES children who were eligible for Title I services under the district's general eligibility criteria were excluded from Title I and got no remedial instruction.

Changing the Nature of Instructional Services Delivered Under a Funded Program to Comply with an Unfunded Requirement

Some districts change the services delivered by a funded program in order to satisfy an unfunded or underfunded requirement. The district is therefore delivering the services mandated by the unfunded requirement, but may not be delivering the services that the beneficiaries of the funded program need most. (This type of cross-subsidy is often combined with changes in student assignment practices. Districts that respond to an unfunded mandate by changing the services offered under a funded program usually also try to target the changed services on children covered by the unfunded mandate.)

Some examples from our fieldwork illustrate this kind of cross-subsidy.

Changing Bilingual Services to Provide Rights Guaranteed Under the Education for All Handicapped Children Act. One district was experiencing a huge influx of non-English-speaking (NES) Asian

students. It served them in newcomer centers, where they received intensive English as Second Language instruction, as well as academic training in their native languages. Many of the newcomers had orthopedic, visual, or hearing impairments, but the district's special education office had no money to provide the necessary facilities and services. The bilingual education grant was the only source of money to pay for hearing aids, mobility assistance, interpreters for the deaf, etc. Those services were provided, but at some cost to the adequacy of the bilingual education program. Once the newcomer centers were filled and the bilingual education grant exhausted, the district could do nothing for the additional Asian students who arrived daily. Those non-Engligh-speaking students were served only by monolingual English-speaking teachers in regular classrooms, or by Title I teachers.

Other districts with similar problems used funds from the Title I migrant program, ESAA, or ESEA Title VII to pay for special education facilities and services for NES students.

Changing Title I to Deliver Services Required by the Lau Guarantees. One of our districts was found out of compliance with the *Lau* guarantees in the mid-1970s. HEW threatened to withhold a sorely needed ESAA grant, and to suspend payments under Title I, until the district complied with *Lau*. The district's federal liaison officer reported that the district complied by transforming Title I from a remedial reading and mathematics program into a bilingual education program. The district laid off non-tenured monolingual English-speaking Title I teachers, and hired as many bilingual teachers and aides as it could find. The new Title I staff provided ESL instruction and bilingual tutoring; NES and LES students were automatically assigned to Title I, and English monolingual students got remedial reading or math only after students in need of bilingual instruction were served. This pattern persisted for two years, until the district obtained state and federal grants for bilingual education. Then Title I reverted to an English language remedial program, except in a few schools where NES and LES students were in the majority.

Changing Title I to Provide Counseling Services Required for the Handicapped. Many district officials told of changes in their Title I

program that took place shortly after P.L. 94-142 went into effect. The most common change was to add counselors and psychologists to the Title I program. The real purpose of these new services was to support the individualized education plan process in special education and not to support the regular Title I instructional program. Since Title I rules permit the use of grant funds for counselors and psychologists, it was very difficult for state program monitors, or even for Title I parent advisory groups, to know that services supposedly provided for Title I children were being used elsewhere. The cross-subsidy involved here may have been small; typically, only a few salaries were paid in this way. But it did involve a change in Title I services, and a diversion of resources to fit the requirements of another program. Had the same resources been used to pay for remedial reading or math teachers, presumably a few more Title I-eligible students could have been served in those districts.

Diverting Staff from Activities Authorized Under One Federal Program into Different Activities Required by an Unfunded Mandate

Districts can subsidize unfunded mandates by assigning personnel who are paid by funded programs to provide services that only the unfunded program requires. This type of cross-subsidy is different from the one discussed immediately above, because the funded program's personnel clearly perform work that their own program does not permit. This form of cross-subsidy is the closest to a direct transfer of funds; staff members simply work as if they were paid by the unfunded program.

This form of cross-subsidy is most often evident in program administration. Staff paid under Title I and ESAA are usually designated as district coordinators for such unfunded mandates as ESEA Title IX (women's rights), Section 504 of the Rehabilitation Act of 1973 (rights of the handicapped), and affirmative action. They are often deeply involved (some even full-time) in the implementation of district-wide desegregation plans. Such administrative cross-subsidies are well known to Congress and federal officials. And though they involve diversions of program funds into other purposes, the costs to the donor program are relatively small, and the arrangements enjoy implicit

federal approval.

Diversion of *instructional* staff has a greater impact on the services that students receive. In several districts, teachers and aides paid by funded programs were assigned to provide services outside the scope of their own program, and to students who were clearly not among its intended beneficiaries. Most such diversions happened at the school level, and were arranged by principals rather than by district officials. Examples provided by principals include:

- A school in which Title I teachers worked under the direction of a special education consultant and served only handicapped students.
- A school in which Title I aides worked in bilingual classrooms in order to supplement a state bilingual education program.
- A school in which aides funded by an ESEA Title VII grant worked as assistants to teachers funded by a state school-wide improvement (not bilingual) program.
- Several schools where ESAA-paid teachers and aides worked under the direction of special education or bilingual education specialists, delivering services required by P.L. 94-142 or the *Lau* guarantees.

Some of these cross-subsidies were created in response to emergencies, e.g., a sudden influx of NES students into a school that has an ESAA or Title I program, but no bilingual education funding. Others reflect long-term shortages of funds in special or bilingual education. Still others are created by principals who want to implement their own philosophies about how education programs should be delivered. In every case, they represent principals' efforts to use the available resources to meet the specific needs of children in the schools.

We visited several schools in which principals had arranged to pay every member of the instructional staff from two or more sources of funds. Classroom teachers were paid in part from regular district

funds and in part from state categorical programs. Specialist teachers and aides were paid in part from federal categorical programs (Title I, Title VII, or ESAA) and in part from more flexible funding sources, such as state categorical programs or the local core instructional budget. The purpose of such funding practices (which GAO has called "multifunding"[2]) is to give the principal greater flexibility in assigning teachers to tasks. As GAO notes, multifunding also makes it very difficult to ascertain whether teachers paid from a particular grant are actually delivering the required services to the program's intended beneficiaries.

We found, as did GAO, that many of the instances of multifunding occur in California. That state's School Improvement Program (SIP) encourages individual schools to devise comprehensive new approaches to instruction, and to make creative use of state categorical programs in support of school-wide change. Multifunding helps principals use federally funded teachers in support of their SIP activities. In the process, the services provided by funded federal programs often become undistinguishable from the overall SIP model. Students who would normally receive services under federal programs benefit indirectly from the school-wide improvements in instruction, but they do not receive distinctive or easily identifiable federal program services. Thus, multifunding often becomes a method of cross-subsidy, from funded federal programs to a broader model of school improvement, and from federal program beneficiaries to the student body as a whole.

Other instances of multifunding--found in other states as well as California--were devised to maintain programs whose funding had run out. One principal in a school with several language minority groups expected his Title VII bilingual education grant to expire in a year. He had put all the school's Title I and ESAA teachers on multiple funding. In the next year, the principal planned to reduce English language remedial instruction and use the Title I and ESAA teachers to maintain the level of bilingual instruction. He was frank in expressing his

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[2]The Comptroller General of the United States, *An analysis of Concerns in Federal Education Programs: Duplication of Services and Administrative Costs*, General Accounting Office, HRD-80-18, April 30, 1980.

hope that state and federal program monitors would be too confused by the multiple funding to be able to charge him with noncompliance with Title I or ESAA requirements.

The multifunding phenomenon calls attention to the connections between cross-subsidy and interference. Principals who arranged multifunding did so in order to respond to special school-level needs. They were happy to have the extra resources provided by multiple programs, but regarded separate categorical use of the resources as disruptive and inefficient. Most believed (to use our terms, not theirs) that multiple categorical programs forced them to choose between interference and cross-subsidy. To use the available resources effectively in their schools, they chose cross-subsidy.

POSSIBLE CAUSES OF CROSS-SUBSIDY

The existence of a combination of categorical programs and unfunded requirements creates incentives for districts to practice cross-subsidy. The incentives are not overwhelming; some districts are able to find the money to respond to unfunded requirements without diverting resources from the regular local programs or from funded categorical programs. The exact patterns of cross-subsidy differ from one school district to another. We found no one categorical program or beneficiary group that is consistently the recipient or donor of cross-subsidies, although well-funded programs are likely to be donors, and poorly funded ones recipients. Variables such as the length of time a district has operated a program, and whether program funding is done by competition or formula, do not determine whether a program will be involved in a cross-subsidy relationship. The programs involved in cross-subsidy, and the methods used to divert resources from one program to another, are determined by local officials' choices, which are in turn determined by local circumstances.

The circumstances most likely to promote cross-subsidy fall into four categories: local budgetary limits; local priorities among beneficiary groups; external pressures applied by courts and enforcement agencies; and local educational practices. This section discusses how each of those sets of circumstances contributes to cross-subsidy.

Local Budgets

Financial need is present in most instances of cross-subsidy. When unfunded requirements are imposed on districts that have no way to raise new revenues, district officials take the necessary resources from federal or state grant programs. If no general purpose grant funds are available, the districts take the necessary resources from categorical programs.

The point is best illustrated by the differences among our case study districts in financing special education. A few districts had received major increases in their state grants for special education. Those districts did not discourage teachers from referring children to special education, or divert resources from fully funded programs (Title I, ESAA, Title VII) to pay for special education services. Most of the districts were receiving only modest state aid, however, and consequently had not increased the real-dollar value of their special education budgets for several years. All of those districts discouraged referrals to special education and assigned handicapped children to be served by other programs whenever possible. The same was true for bilingual education: Districts that had growing local budgets, increased state support for bilingual education, or large federal bilingual education grants (from ESEA Title VII, ESAA, or the Title I migrant program) seldom used cross-subsidies to pay for services to LES/NES children.

The interaction of unfunded requirements with local fiscal scarcity is clearly the most important impetus for cross-subsidy. Most of the school districts we visited were willing to comply with unfunded requirements if extra funds could be found. However, districts were *not* willing to raid their local core programs for the funds demanded by unfunded requirements. Faced with an unfunded requirement, a district's first response is to seek supplemental help from the state or federal government. Failing that, the district finances the unfunded requirements by cross-subsidy.

Local Priorities Among Beneficiary Groups

Some instances of cross-subsidy reflect local officials' judgment that some groups need (or deserve) special services more than others.

By definition, local priorities and the forces that create them vary from place to place. Some are founded on local community values, and some on the presence of a vocal interest group acting on behalf of one set of students.

Local Community Values. The importance of local community values is evident from the ways that different districts respond to the needs of LES/NES children. In some of the districts we visited, local people openly resented the influx of new Hispanic and Asian families and had little interest in responding to the educational needs of non-Anglo children. Those districts were unlikely even to seek special grant funds for bilingual education. Special services provided to LES/NES children were provided--if at all--by Title I and the special education program. In contrast, districts that took the needs of non-Anglo children seriously were far more aggressive in seeking special funds. Those districts were often forced to fund some bilingual education services by cross-subsidy. But the level of cross-subsidy required was relatively small, and the level of services to LES/NES children was high. Federal officials are often afraid that local community values, if left unregulated, would result in a transfer of federal program benefits from the more needy to the less needy. We found that such transfer does not always occur. In one community, for example, Title I was the *recipient* of cross-subsidy from the district's ESAA compensatory services program. ESAA services, which were intended for students whose reading test scores were between the 20th and 50th percentiles, were diverted to supplement the district's Title I program, which was intended to serve children whose scores were below the 20th percentile.

Interest Group Activity. Interest group activity was very important in some districts. Pressure--real and anticipated--from such groups is a major reason for cross-subsidies from Title I to special education. Because parents of handicapped children are most active in higher-income areas, districts take great care to deliver special education services required by students in those schools. If special education resources are limited, concentrating special education services on higher-income schools means removing them from lower-income schools.

Children in lower-income schools who would be eligible for special education are then served by Title I or other compensatory education programs. (The first cross-subsidy example above, "serving handicapped children under Title I," is a direct result of pressure on the district to concentrate special education services in higher-income schools.)

Examples involving other interest groups can be found, but they are less vivid. In one of our districts, a well-organized Hispanic community, led by officials of a federally funded *Lau* technical assistance center, encouraged district officials to reorient the Title I program toward bilingual education. Interest groups can also *prevent* cross-subsidies. Activist Title I parent advisory councils stopped efforts to reorient Title I toward bilingual education in one district, and toward the state's school-wide improvement program in another.

Pressures from Courts and Enforcement Agencies

Court orders and federal enforcement actions can create incentives for cross-subsidy. It costs districts money to comply with court orders or the demands of federal enforcement agencies; the money often comes from federal grants provided for other purposes. When someone sues a school district to obtain the services he has been guaranteed by law, the court can order a remedy, but cannot create funds to pay for the service. Nor can the court consider the possible effects of its decree on the school district's delivery of services to others.[3] Federal enforcement agencies have more flexibility than courts. They could, in theory, exert pressure on behalf of all the funded and unfunded mandates simultaneously. But because they cannot appropriate new funds, and cannot knowingly give official support for local decisions to emphasize some requirements over others, federal enforcement agencies usually concern themselves with only one or two mandates at a time. Like the courts, they leave the problems of finding resources and engineering trade-offs to local officials.

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[3]For a discussion of courts' limitations in adjudicating claims on individual entitlements, see Donald L. Horowitz, *The Courts and Social Policy*, The Brookings Institution, Washington, D.C., 1977, Chaps. 1 and 2.

Several of the examples of cross-subsidy presented earlier in this section were established under pressure from court orders or federal enforcement actions. The district that turned its Title I program into a bilingual education program did so after coming under a court order and negotiating a *Lau* compliance agreement with HEW's Office for Civil Rights (OCR). Several of the examples of multifunding cited above are results of districts' efforts to avoid further *Lau* compliance actions from OCR. The need for cross-subsidies to special education is often created by court orders obtained by parents of handicapped children.

Local Educational Practices

Some cross-subsidies are created at the school level, by principals and teachers. Many cross-subsidies created in this way are, in effect, successful strategies for avoiding the kinds of interference discussed in Sec. II. Practitioner-created cross-subsidies are of two kinds: the inadvertent results of purely educational practices, and the result of principals' efforts to eliminate what they consider to be educationally unwise features of federal programs.

Inadvertent Results of Educational Practices. Inadvertent practices usually involve Title I. Children who were having trouble in regular classes were automatically referred to Title I. Children were pulled out of their regular classes to receive remedial services; no child was referred to special or bilingual education unless he or she proved after a few months to be unable to profit from Title I instruction.

Such arrangements usually grew out of extremely good working relationships between Title I staff and regular classroom teachers. School principals promoted the practice, in the belief that Title I teachers were qualified to screen out children who needed more intensive services. A possibly negative result of that arrangement, however, was that Title I classes became very large, and teachers occasionally had to turn away students who needed only moderate remediation. Handicapped students received their individualized education plan diagnoses and prescriptions after several months' delay, if at all. And some students who might otherwise have received Title I services were excluded from

remedial classes that were filled up, in part, by students with more severe needs.

Efforts to Eliminate "Unwise" Features of Federal Programs. Federal program requirements run counter to the educational philosophies of some district officials, principals, and teachers. When local practitioners divert resources from a program with distasteful requirements to one that is more to their liking, the objectives of the donor program are often not met.

Of all federal programs, Title I is the one that practitioners in these schools most often criticize on grounds of educational philosophy. It is therefore the program whose resources are most often diverted at local practitioners' initiative. For those who object to Title I, its most offensive feature is the requirement that funds be used directly--and only--for Title I eligible students.[4] Some practitioners think that the distinctiveness of Title I services stigmatizes the recipients; some also think that the Title I funds could be used more effectively to create classroom or school-wide educational improvements. Acting on those beliefs, some principals assign Title I-paid staff to work within the framework of school-wide change programs, such as California's School Improvement Program. Others create multifunding situations, so that Title I teachers and aides can work, in effect, as regular classroom teachers. Title I funds are occasionally diverted to support unusual educational philosophies. One principal, for example, believed that every child in his school could profit from being in a bilingual home-room. He therefore assigned Title I teachers to work as instructional aides, working in the regular classroom under the supervision of

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[4]This requirement has been softened by the ESEA Amendments of 1978. Schools in which 75 percent or more of the children are educationally disadvantaged may deliver Title I services to all students. Small numbers of non-Title I eligible children may also participate in Title I-sponsored events if their participation is incidental and does not detract from the benefits enjoyed by eligible children. Thus, a few ineligible children may take empty seats in Title I-paid buses to cultural events or assembly halls. But the traditional Title I rules still apply to the vast majority of circumstances. For a report on school districts' use of new flexibility provided by the 1978 amendments, see David P. Rubin and Jane L. David, *The School-Wide Projects Provision of ESEA Title I: An Analysis of the First Year of Implementation*, Bay Area Research Group, Palo Alto, California, April 1981.

bilingual homeroom teachers. Title I teachers ususally presented general reading and mathematics instruction, and spent only a fraction of their time on remedial instruction.

The practitioners most likely to create cross-subsidies are school principals. Many district officials, however, tacitly encourage the use of Title I funds in support of "enlightened" instructional models. Teachers can also initiate such cross-subsidies on their own. In two of the districts we visited, Title I teachers reported voluntarily leaving their pullout classrooms to act as co-instructors with the regular classroom teacher.

Practitioner-initiated cross-subsidies may or may not impose costs on Title I eligible children. Those children surely do not receive the kinds of services intended by Title I. If, however, the practitioner's educational philosophies are valid, Title I eligible children may also profit from school-wide improvements.

Summary

The lack of local surplus funds to pay for unfunded requirements is probably the most significant impetus to cross-subsidize. Without the combination of unfunded requirements and local fiscal shortages, there might still be some instances of cross-subsidy, caused by local political pressures, instructional practices, or local educational philosophies. But those instances would be rare, and would involve relatively few children. Nearly all of the patterns of cross-subsidy we observed arose from fiscal scarcity. The other circumstances made cross-subsidy more likely, but seldom caused it by themselves.

It is worth repeating that no single federal program, or feature of a program, creates cross-subsidy all by itself. The existence of fully funded programs creates the opportunity for cross-subsidy, and the combination of unfunded mandates and local fiscal scarcity creates the need for it. Well-funded categorical programs are likely to be the donors, and poorly funded programs the recipients, in cross-subsidy relationships. But there is no program or beneficiary group that is sure to give or receive a cross-subsidy.

IV. SUMMARY AND CONCLUSIONS

This study sought empirical evidence of two sets of problems identified by administrators implementing multiple categorical programs: the conflict between core and categorical programs (interference) and the use of funds intended for one beneficiary group to provide services to another beneficiary group (cross-subsidy). The study focused on a small number of multiple program districts and schools with a high probability of interference and cross-subsidy. We found interference and cross-subsidy in all schools and districts in our sample, indicating that the phenomena are important. Moreover, interference and cross-subsidy reduced the level of instruction the students received.

The evidence strongly suggests that interference and cross-subsidy are often two sides of the same coin. Interference is often caused by efforts to ensure that multiple categorical programs are kept separate, as federal regulations require. Cross-subsidy is often caused by local educators' efforts to serve disadvantaged populations without disrupting the regular local curriculum. Ironically, both problems can be taken as evidence of the *success* of federal efforts to control school districts' use of categorical funds. Federal education programs have been markedly effective in directing special resources to disadvantaged students, and in focusing local educators' attention on those students' needs. Interference is, in effect, the result of a too-rigorous effort to ensure that federal funds are spent only on their intended beneficiaries. Cross-subsidy is, in effect, the result of Congress's effort to make increasingly fine distinctions among disadvantaged groups. The problems of interference and cross-subsidy are serious and need attention, but they can be solved without completely rejecting the concept of federal categorical programs. Two aspects of the federal program structure--the multiplicity of programs in one site and underfunded requirements--contribute significantly to problems of interference and cross-subsidy. Some schools, for example, have so many federal programs that they have difficulty avoiding interference, and so little local money that cross-subsidy is the only way to pay for unfunded or underfunded mandates.

We saw many instances of interference and cross-subsidy, however, that were created or exacerbated by local management practices. The degree of interference, for instance, was strongly related to school-level practices in scheduling core and categorical program classes. Similarly, the degree of cross-subsidy was related to school administrators' decisions about which beneficiary groups were most in need of scarce district funds and services.

Interference and cross-subsidy do not result from federal program structure alone, but are the *joint* result of federal program structure (guidelines, funding patterns, and enforcement) and local choice in managing large numbers of programs and unfunded requirements. The problems we have identified can be ameliorated (slightly) by either local or federal action. But they can be solved only as they were created: by joint action of federal policymakers and local decision-makers. Below, we formulate the implications of our study results for both local educational administrators and federal officials.

IMPLICATIONS FOR LOCAL ADMINISTRATORS

Local school administrators need to accept the legitimacy of special programs for the disadvantaged. Even if categorical program requirements were eliminated, the diversity of students' needs would force many districts to develop special programs. Many district officials and principals acknowledge that they could not serve their low-income, handicapped, or non-English-speaking students adequately without special programs.[1] However, those same districts continue to treat such programs as foreign entities, to be administered separately from the local core program and from one another. A sound basis for local administration would be to recognize that special programs--whether funded from local, state, or federal sources--are not likely to disappear. Particular programs may die, and consolidation efforts may succeed from time to time, but many factors--including the childrens' real needs, pressures from interest groups for special programs, and the desire of state

[1] For an amplified discussion of this part, see Hill, Wuchitech, and Williams.

legislators and members of Congress to make their own contributions to education--will ensure the existence of multiple and separate programs. It is an important first step, then, for district and school officials to acknowledge that special programs are an integral part of local education.

That acknowledgment will encourage local officials to accept management of multiple programs as an essential local program responsibility. This is a major challenge for educators who have been trained in pedagogy instead of in multiple program administration. If districts are to avoid some of the more severe consequences of interference and cross-subsidy, however, they must begin to manage the overall district program in a fashion that integrates the core program with special programs. Currently, few districts appear to make serious attempts at coordination. Categorical programs are kept separate until they reach the school level, and teachers and principals must invent their own solutions to the problem of complying with multiple program requirements and meeting their students' needs.

District officials have far greater resources for program coordination and integration than do teachers and principals. They should coordinate funding, compliance planning, and the allocation of specialist teachers to guarantee that classrooms are not swamped by the multiplicity of programs. District-initiated efforts can work. We found problems of interference to be less severe in a district that tried to reduce scheduling and content conflicts between the core and categorical programs. District administrators, in consultation with school staff, developed district-wide performance objectives for all programs, both regular and categorical. These performance objectives established district-wide goals for each content area, with core and categorical programs complementing one another in terms of methods and materials used. At the school level, the categorical and core program teachers met regularly to discuss ways of meeting the district objectives, to clarify scheduling problems, and to maintain continuity of homework assignments for students enrolled in both core and categorical programs. Such efforts take time and energy at the local level, but they can pay off by making regular and categorical programs reinforce, not

conflict with, one another.

IMPLICATIONS FOR FEDERAL OFFICIALS

Federal policymakers need to recognize that the sheer number of separate programs is the source of many problems. Most individual programs are designed to operate alone, but are difficult for districts and schools to manage in the aggregate. Adding new programs, even very good ones, often aggravates current problems.

Congress in particular needs to recognize the inherent competition for scarce resources between funded and unfunded programs. School districts can respond to unfunded mandates in four ways: (1) pay for them out of local revenues; (2) redirect federal funds intended for other purposes; (3) engage in trivial "paper" compliance; or (4) ignore the requirements. In our sample, districts seldom chose the first option, but typically followed a mixed strategy of options two and three. Most had stable or shrinking local resources, and feared overwhelming local political opposition against paying for federally mandated services by reducing the local core program. Consequently, unfunded requirements either became vain promises, or introduced competition for scarce resources among the disadvantaged groups the programs were designed to help.

A task for federal policymakers is to help local districts manage and coordinate federal programs. Most federal programs provide funds for their own management, but there is no money or specific technical assistance to help local districts devise an integrated strategy across federal programs. Local districts should be given resources for coordination and be furnished with examples of successful program integration. Federal advice and monitoring should be reoriented to encourage program consolidation, rather than forcing local administrators to deal separately with an autonomous federal bureau for every program.

Finally, federal officials need to devise alternative programming strategies for schools with multiple categorical programs. Such schools typically contain very high proportions of needy students. Many children in those schools have multiple needs, and are eligible for services under several programs by virtue of their status, e.g., as low-income, handicapped, and language minority students. In those circumstances it is

unduly burdensome to the school and the student to maintain the separation of services according to funding source. Many students would be better off if they received services from only one of the programs for which they are eligible. That could be accomplished simply by limiting each student to one category of special service. A more complete solution would be to allow multiprogram schools greater flexibility in the use of special program funds.

Schools become eligible for multiple programs because their students have serious and diverse needs that the regular school program cannot meet. Categorical programs are necessary for such schools. However, most multiprogram schools could serve their students better if principals were able to combine categorical program resources into an integrated compensatory program. Regulation is still necessary to ensure that multiprogram schools actually receive extra funds and that the funds are used specifically to meet the needs of disadvantaged students. But funds from different categorical programs can be pooled; there is little reason to continue segregating special resources by source at the school level. A combination of simple fiscal devices, such as Title I's comparability and school-targeting requirements, could guarantee that needy schools get a fair share of regular local funding plus the special resources provided by categorical programs. Once special program funds reach a needy school, there is no need to limit their use to a particular group of students or teachers.

We believe that some form of reducing the barriers that separate categorical programs is desirable. Not all forms of consolidation are equally constructive, however. In the interest of the nation's neediest students and schools, the best form of consolidation would be one that increased local educators' flexibility while continuing to ensure that federal funds both increase and target the resources available for the education of disadvantaged students.

DIRECTIONS FOR FUTURE RESEARCH

Our exploratory study has left a number of major issues unresolved. Further research, either proposed or under way at Rand with Department

of Education funding, is intended to address the following questions:

- What is the incidence of problems of interference and cross-subsidy? Are they limited to multiprogram districts, or do they occur to some degree in most districts?
- In a quantitative sense, how severe are the costs to students? How many students, at what levels of performance, fail to receive which program services?
- To what extent can the problems be solved through local action alone? What general principles and management strategies have districts used in reducing the problems of cross-subsidy?

Answers to these questions should help Congress understand the likely effects of alternative approaches to education program consolidation.

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